11/21/86 W 1380-2

Georgia & Atlanta

1986-1988

Economic Forecasting Center

Georgia State University, College of Business Administration, November 1986

GEORGIA TO EXPERIENCE SLOW GROWTH THE NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Center
Georgia State University
Atlanta, Georgia

Summary

Despite a decline in the unemployment rate to less than 6% in 1986, Georgia's economic expansion has slowed noticeably this year. Durable manufacturing is showing minimal change, with weakness surfacing in the machinery sectors. Little growth is expected in durable goods in the next two years as well. Nondurable activity slowed sharply early in the year, but improved competitive conditions are generating a strengthening performance for textiles and food processing. Apparel remains weak, however. More substantial gains are expected for nondurable manufacturing during the next two years.

Employment growth has slowed significantly for the communications industry as a result of consolidation of long distance carriers. Modest growth is expected in transportation during the next two years as a result of moderate expansion of international air flights from Hartsfield airport. The economy has also slowed in the trade sector, as retail trade has trended toward sustainable levels from unusually vigorous rates of employment gains in previous years. A slowing also has occurred in the finance and service sectors, although finance should continue to generate robust job gains. The service sector has not slowed as sharply as earlier figures indicated, but the unusually rapid rates of service job gains recorded in previous years are no longer developing.

In fact, employment gains in 1986 will be greater than originally projected, but much of this increase is the result of stronger construction employment in 1986 than previously anticipated. The construction slump will start more slowly than previously expected, but a significant decline in construction employment appears likely over the next two years. Therefore, stronger than previously anticipated employment gains do not lead to stronger projections of Georgia growth in the next two years.

Georgia is expected to create 75,000 jobs in 1986, a further 51,000 jobs in 1987 and an additional 53,000 jobs in 1988. Georgia's gross state product should increase 3.5% in 1986 before slowing to less than 2.5% in 1987. A rebound to 3.5% gains in 1988 is anticipated.

Data Revisions

Recent revisions in Georgia's personal income show more rapid gains for nonfarm personal income in 1985 than originally projected. These revisions are associated with general data revisions nationwide. In general, Georgia personal income was adjusted upward by a magnitude similar to upward adjustments for the nation as a whole. As a result, Georgia remained 2.27% of total national personal income in 1985. Income was revised upward sharply for nonfarm proprietors and was revised downward slightly for wage supplements. Upward revisions were substantial for farming, mining, construction, retail trade, and

services. Personal income was revised downward for manufacturing, wholesale trade, and transportation. The level of property income also was lowered while transfer payments were increased sharply. Nonfarm personal income was revised upward by slightly more than $2 billion. Moreover, the growth of nonfarm personal income was revised upward from 8.7% to 9.5% in 1985.

Property income currently is only 80% as significant to the Georgia economy as it is in the nation. Also, transfer payments are only 89% as important in the Georgia economy as it is nationwide. Thus, the Georgia economy remains much more sensitive to changing economic conditions than the national economy. This suggests that Georgia's business cycles will be of greater magnitude than those experienced nationwide. Fortunately, Georgia has not experienced as many business cycles as the nation.

Population estimates also have been revised slightly. In 1985 the resident population in Georgia increased 2.38%, slightly above the 2.29% previously estimated.

Recent Conditions

Although the Georgia drought has received a great deal of attention, and grain losses in excess of $200 million were realized, agricultural income in Georgia will not fall as dramatically as previously estimated. The major reason for more favorable performance in agricultural earnings is a profitable year experienced by the poultry industry. In addition, many of the cattle and hogs that were liquidated as a result of rising feed costs were sold in a relatively profitable economic environment. The impact of the drought upon the forestry industry still remains unmeasurable, as the forests have been weakened by drought conditions. This makes the forests more susceptible to tree blight and also raises the possibility that a severe winter will sharply increase forest losses. The magnitude of this lost forest value remains problematical, however.

Fortunately, rains were above normal in the usually dry fall. Lakes still remain dramatically below normal levels, but some improvement has developed. It appears reasonable to assume that the drought's impact will not be noticeable in 1987 economic activity in Georgia.

During the spring Georgia's nonfarm personal income increased 1.3%, considerably above the 1.0% nationwide. However, growth was heavily concentrated in the construction industry, while a previous rapid expansion in service payrolls no longer was evident. Indeed, the service economy grew more slowly in Georgia than nationwide during the spring. Fortunately, some firming in textiles began developing, leading to improvement in manufacturing payrolls as compared to further erosion in manufacturing payrolls nationwide. Although nonfarm personal income slowed significantly in Georgia, it slowed even more dramatically nationwide. As a result, Georgia ranked 14th in percentage gains in personal income.

After stumbling through the spring, Georgia's economy picked up significantly in the summer. Farm cash receipts, which reflect a significant surge in the value of poultry, showed little evidence of the summer drought. Corporate tax accruals and hours worked also rebounded significantly. Other coincident indicators contributed smaller amounts to the coincident index, but all indicators were positive both in August and September. According to the

coincident indicators, the Georgia economy expanded at a 3.8% rate during the summer months as compared to a 2.4% increase for the nation. Over the past twelve months, the Georgia economy after inflationary adjustments appears to have increased 3.9%.

The leading indicators also performed favorably during the summer, although future conditions do not appear to be developing as favorably as the current rebound in activity. Unemployment claims increased, while consumer spending and residential permits weakened modestly. Surprising strength developed for nonresidential construction in September while state revenues also experienced a significant advance. The work week turned in its largest expansion of the year. The surprising strength in construction contracts should not persist very much longer. Therefore, the leading indicators may continue to show decreasing rates of gain through the fall.

The ratio of coincident to leading indicators suggests that current economic conditions are growing slightly more rapidly than can be sustained. Therefore, some slowing in the growth of the Georgia economy should be anticipated early in 1987. Nevertheless, none of the indicators is revealing any signs of impending employment declines in the Georgia economy.

Following a decline in seasonally adjusted nonagricultural payrolls in Georgia during the spring, payrolls rebounded at a seasonally adjusted 3.9% rate in the summer. Manufacturing continued to weaken with sluggishness surfacing in the transportation and machinery sectors. However, the weakness in transportation was related to temporary strike activity that since has been settled. Nondurables weakened sharply in apparel and the rubber products included in other nondurables, but activity began strengthening in food processing and textiles. The printing industry continued to expand moderately.

Employment strength was largely caused by significant expansion of construction employment, sharp increases in retail payrolls, continuing moderate growth in finance payrolls, and a sharp rebound in business services. State and local employment also increased modestly. This 3.9% expansion in payrolls compares to a gain of 2.4% for the nation, suggesting that state product rebounded more sharply than national product in the third quarter.

Weakness continued to materialize in the construction related industries and in electrical machinery during September. However, transportation equipment rebounded sharply while construction payrolls continued to move strongly forward. A rebound in food processing continued to develop but most other nondurable goods activity showed little trend. Transportation, retail trade and business services all continued to show strong gains in September but government payrolls showed little movement. On balance, employment showed a continuation of vigorous growth at the end of the summer quarter in Georgia.

Retail sales in the South Atlantic region were not as robust relative to the nation during the summer as in the spring. Nevertheless, the South Atlantic states outperformed the nation by nearly 2 percentage points. While no retail sales information is available for Georgia, sales increases by department store types of merchandisers in Atlanta showed an increase of 7.3% over the first three quarters of 1986 in comparison to a 6.9% gain for comparable stores nationwide. However, activity had accelerated, with the year-over-year performance in Atlanta showing a gain of 11.9% as compared to only a 9.2% gain for the nation. Taxable sales for Georgia increased 6.0% from the previous

year, as compared to a 5.9% gain in the previous quarter. Price changes for taxable goods increased less than 1% as gasoline prices continued to fall. Thus, the volume of sales increased approximately 5% from previous year levels. This is comparable to the 5.1% projected gains for employment in retail establishments, suggesting that no further imbalances in retail activity developed in 1986.

When estimated service expenditures are combined with gains for taxable sales, consumer spending appears to be growing slightly in excess of 6.5%. This compares to an increase in disposable income of slightly more than 7%, suggesting that the savings rate rose slightly in Georgia even as it declined sharply nationwide. Although consumer purchasing power remains adequate in Georgia, previous excesses in retailing suggest that slowing in the growth of retail employment will materialize during the next two years. However, there is little likelihood that an outright slump in retail activity is on the horizon.

In the last two months, consumer prices in Atlanta increased 0.1% while they were expanding 0.2% nationwide. In the past year, inflation was 2.3% in Atlanta as compared to 1.6% nationwide. It now appears that the Atlanta CPI will increase 2.5% for the year, about 0.7 percentage points higher than nationwide. In 1987, the Atlanta CPI should increase 3.5%, comparable to national gains. By 1988, the Atlanta CPI is expected to accelerate to a 4.5% gain, comparable to anticipated gains in the nation.

In the latest two months, grocery store prices rose a sharp 2.4% nationwide but an even sharper 3.7% in Atlanta. As a result grocery store prices are currently 7.6% above previous year levels in Atlanta while only 4.4% higher nationwide. Menu prices in Atlanta increased only 0.3% in the last two months as compared to a 0.5% gain in the nation, but this is little solace for a 7.4% increase over the year as compared to 3.8% in the nation. Prices of alcoholic beverages increased only 4% in Atlanta as compared to 5.9% nationwide, but prices rose 0.5% in the past two months as compared to no change in the nation. Housing costs slowed in Atlanta, but still are 4.2% above previous year levels as compared to 2.8% nationwide. Rents increased 1% both in Georgia and in the nation in the latest two months with Atlanta prices up a sharp 7.4% over the previous year as compared to 5.4% in the nation. On the other hand, clothing prices rose 1.3% in the nation and are 0.8% above a year ago in comparison to an increase of 0.9% in Atlanta and a decrease of 5.4% from the previous year. Transportation costs, which include gasoline, fell by comparable amounts in Atlanta and the nation. Medical costs, which are up a sharp 7.6% nationwide are up an even sharper 10.4% in Atlanta. Moreover, prices rose 1.8% during the latest two months in Atlanta as compared to a 1.2% gain nationwide. The gap between entertainment price increases in Atlanta and nationally narrowed, but entertainment still is up 4.2% from a year ago in Atlanta as compared to a 3.4% gain in the nation. In summary, prices at the grocery store, housing costs, and medical care all have increased much more sharply in Atlanta than nationwide. Partially offsetting this disturbing inflation is a dramatic fall in clothing costs in comparison to modest increases nationwide.

Unemployment in Georgia fell below 6% in August and remains 0.7 percentage points below previous year levels. It is also 0.7 percentage points below the nation, which experienced only a 0.3 percentage point improvement in its unemployment rate from previous year levels. Regardless of whether two Georgias exist, Albany certainly is not in the same Georgia as the other metropolitan areas. During the past year the unemployment rate in Albany increased 3.1

percentage points and now stands at a recessionary 12.3%. The next poorest performance is in Columbus, with an unemployment rate of 7.4%. However, this is a 1.4 percentage point gain from the previous year. Columbus created more than 3300 jobs as compared to a loss of 1600 jobs in Albany. Savannah created nearly 6000 new jobs in the past year but the unemployment rate is still a high 6.5%, only a 1.1% improvement from the previous year. Now that construction is actively occurring for the Fort Howard paper facility, Savannah's unemployment rate should dip toward the 6% level. In the past year Augusta created 4000 jobs, causing the unemployment rate to dip marginally to 6.1%. However, several important employers will be leaving the Augusta area, causing an increase in unemployment over the next few months. The strongest improvement in unemployment occurred in the Macon area, with a 1.6 percentage point decline and the creation of nearly 5000 additional jobs. New industry moving into Macon suggests that strong employment gains will continue to push unemployment rates downward in that area. Athens registered a 0.6% improvement in the unemployment rate to 5% over the past year as 3000 additional jobs were created. Unemployment should remain near that level over the next year. Similiarly, unemployment should remain near the 4.8% level in Atlanta over the next year. According to the household surveys, Atlanta created 87,000 new jobs in the past year, causing unemployment to fall by 0.3 percentage points. The Atlanta and Georgia household estimates show much larger employment gains than those measured by the payroll figures. The payroll estimates may continue to understate employment growth in the state.

Georgia's insured unemployment rate remained at 1.7% throughout the summer. Insured unemployment also remained unchanged at 1.1% in Atlanta. This compares with a continuation of a 2.8% insured unemployment rate nationwide. Thus, little change occurred in unemployment of the skilled labor force in Georgia or Atlanta.

The Georgia thrifts showed more concern about construction activity by reducing their forward commitments by 16.7% in the past quarter. This compares with more seasonal declines of 7.5% for the nation and 3.6% in the remainder of the southeast. Georgia deposits were growing slower than in the southeast, expanding 0.8% as compared to 1.8%, but deposits nationwide declined 0.3%. This more cautious attitude for Georgia thrifts appeared to be aiding an improving balance sheet. Georgia regulatory net worth increased 10.5% as compared to a gain of 4.3% for the southeast and a miniscule gain of 1.4% nationwide.

Effective mortgage rates have fallen 0.9 percentage points in Atlanta in the past year as compared to 1.08 percentage points nationwide. However, mortgages in September were an effective 9.97% in Atlanta as compared to 10.11% in the nation. Housing prices have increased dramatically both nationwide and in Atlanta. In the nation housing prices were up $16,300 to $112,500. In Atlanta the price increase is $28,000 to $132,100. Mortgage rates are expected to show little movement for the next 15 months averaging near 10% into 1988. Rates then are expected to rise modestly during 1988.

Following three months of relatively poor revenue gains, projections of state revenues for the current fiscal year must be revised downward to only 7.5%. During the first three months of this new fiscal year revenues increased only 5.9%. This compares with gains of 6.4%, 8.7%, 8.4%, and 11.4% in previous quarters. The rebound in September was only 6.2% over previous year levels. The next fiscal year probably will show an identical 7.5% rate of increase. While these revenue gains do not suggest serious problems with state finances,

they indicate that few new initiatives will be able to be funded in the next fiscal year.

Most of the slowing in state revenues is the result of a significant slowing in sales and use tax collections. In the latest quarter they were only 3.0% above previous year levels. This compares to gains of 7.2%, 5.5%, 7.5%, and 9.4% in previous quarters. It also compares unfavorably with a gain of 7.9% for all state and local governments. In previous quarters, all state and local governments showed sales tax increases of 5.7%, 6.2%, 6.6%, and 9.0%. In comparison, personal income receipts were up an acceptable 8.9%. In previous quarters, gains in personal tax receipts were 12.4%, 17.0%, 10.4%, 13.5%, and 7.9%. All state and local governments showed an increase in personal income of 6.7%. In previous quarters, personal income receipts for all state and local governments rose 3.9%, 5.2%, 7.6%, and 7.6% respectively. During the first fiscal quarter corporate tax accruals increased 7.5%. This compares with declines of 6.5%, and 6.9% in previous quarters. Prior to those declines, corporate accruals rose a sharp 15.1%, 15.8%, and 18.3% respectively. Corporate profits for all state and local governments showed an estimated gain of 5.8%. This compares with increases of 10.5%, 4.0%, 12.7%, and 2.2% in earlier quarters. Of course, weakness in sales tax collections may reflect a temporary increase in savings by Georgia consumers. When data becomes available for the automobile sales surge in the fourth quarter, more dramatic increases in tax collections should develop. Certainly, the return to corporate profitability bodes well for improving economic conditions in Georgia in the months ahead.

Summary of Outlook

Signs of improving manufacturing employment in Georgia began surfacing during the third quarter as textile eimployment improved modestly. Economic growth exceeded national gains in the third quarter, registering more than 3.8% rate of advance. However, productivity showed minimal change during the quarter. Corporate tax accruals have switched into positive territory, but moderate productivity gains suggest that large positive gains are not likely in the months ahead. For 1986, economic activity in Georgia should expand 3.5%. Growth is expected to slow to a 2.5% rate in 1987 before rebounding to more than a 3.5% growth path in 1988.

Tax reform and a serious overbuilding condition in Atlanta should lead to a significant slump in construction employment during the next two years. Some of the slack will be picked up by strengthening employment opportunities in the Savannah and Macon area, but there will simply not be enough construction work to absorb the current level of employees. Relatively weak performance also is expected for the machinery industries, although a modest rebound should materialize in 1988. Construction related activities also are expected to show substantial weakness during the next two years. As a result, durable manufacturing will provide minimal job growth in Georgia during the next two years.

Fortunately, improvement in American competitiveness abroad will begin to create job opportunities for nondurable manufacturing. The modest rebound in textiles is expected to be reversed, as improvement in the yarn and thread operations will be offset by a cyclical peaking in the carpet industry. The apparel industry is showing substantial weakness which will only gradually reverse itself in 1988. All other nondurable manufacturing except the insignificant leather industry should show significant employment gains during

the next two years. The paper and printing industries once again will lead the way, although significant expansion is now expected for food processing as well.

Employment gains in the service sector will gradually slow over the next two years. Transportation will continue to show strong employment gains, but consolidation in the communications industry will hold down the TCU sector. Retail sales no longer appear to be out of balance with retail employment, but reduced gains in personal disposable income will lead to more modest expansion in retail employment opportunities. On the other hand, continued consolidation of financial activities should sharply improve employment opportunities in all financial endeavors. Part of the slowing in the financial sector will be diminished opportunities for real estate brokers, however. Services growth should continue to slow from the boom conditions that developed in 1984 and 1985. However, reasonably strong gains are anticipated during the next two years.

On balance, employment opportunities will grow at reduced rates over the next two years, but the Georgia economy shows little signs that recessionary conditions could spread beyond the construction and machinery industries. Indeed, substantial gains in foreign affiliated employment acitivities suggests that manufacturing could generate more jobs than currently projected. In addition, some aerospace relocations to the Macon area provides employment opportunities for transportation equipment and related endeavors.

Nevertheless, 1987 will be a transition year in Georgia as it will be nationwide. Weakness in construction will begin to undermine purchasing power, causing a slowing in retail sales growth. This will be reflected in relatively tight budgetary conditions which may lead to slower gains in government payrolls than in previous years. In addition, relatively subdued inflation during 1986 will lead to relatively subdued wage gains in 1987. In effect, the Georgia economy will act more like the national economy during the next two years. As Georgia was performing far in excess of national conditions over the past three years, this slowing relative to the nation will surprise many Georgia businesses. On the other hand, the worst appears to be now for the Georgia farm economy. The poultry industry is showing substantial financial health, while row crops are in total disarray. A rebound in farm earnings is anticipated over the next two years.

SLOWER BUT SUBSTANTIAL EMPLOYMENT GROWTH REMAINS ON ATLANTA'S HORIZON

Recent Conditions and Outlook

Despite strike activity, which constrained the growth of payrolls and transportation equipment, total payrolls in the Atlanta area expanded a seasonally adjusted 6.8% during the summer months. Much of the surge was in construction, which benefitted from unusually dry weather. However, mining activity also expanded while textile and printing facilities in the Atlanta area showed employment gains.

In the important service economy, all sectors showed a significant third quarter expansion. The service economy surged in the third quarter following little change during the second quarter. More moderate employment gains were

registered for the finance and transportation sectors. Retail trade also showed a sharp rebound. In addition, unsustainably rapid gains appeared for durable wholesale activity. Some slowing in that sector now appears to be inevitable.

Construction now is 6.2% of the Atlanta work force. This is a level that can be justified only if employment gains remain above 3.5% per year. Thus, excess construction activity would materialize even if current vacancy rates were acceptable. In fact, tax reform legislation will sharply increase the burdensome nature of unoccupied construction product. However, many projects continue to require significant construction input into the early months of 1987. Thus, the construction slump will become more apparent in the second half of 1987 and in 1988, when construction employment should fall more than 5%.

According to the Coldwell Banker survey on office vacancies, Atlanta remains below the national average. However, vacancies rose to 15% in downtown Atlanta and to 20.7% in the suburbs. Nationwide, downtown vacancies fell to 16.7%, although the suburban indices did rise to 23.8%. Metropolitan vacancy rates in Atlanta jumped from 18.8% in June to 19.6% in September. This compares with a national increase from 21.1% to 21.5% over the comparable period. Price weakness is beginning to become evident in rental concessions, where the standard rental rate for class A space has now fallen toward $18 per-square-foot, and in the price of property. Some newly constructed property currently is selling at less than construction costs. Although absorption rates look surprisingly robust, much of that absorption remains unoccupied. Apparently, many large leases have been written because of favorable terms. In effect, the apparent rapid absorption in 1986 is occurring at the expense of absorption in the next two years. Given the increase in construction activity in Atlanta, where more than 9.5 million-square-feet are currently actively under construction, vacancy rates probably will increase beyond 26% for suburban Atlanta and also approach 20% in the downtown plus mid-town areas.

Not only is the story bleak for commercial office space, but it has deteriorated dramatically for industrial space in Atlanta, where vacancies reached a record 5.7% in September. Moreover, the vacancies are now higher than in the nation, where vacancies dipped from 5.7% in June to 5.5% in September. Activity remains brisk in the industrial sector, suggesting that vacancy rates could rise to 7% before building slows significantly.

Population growth rates should slow gradually as employment opportunities gradually diminish in the Atlanta area. As a result, potential absorption of the housing market should slow over the next few years. This absorption is based upon household formations and assumes that current inventory levels are desirable. Because tax reform will sharply reduce the desirability of multi-family vacancies, actual housing needs will fall 4-6000 below estimated potential in 1987 and 1988. Based upon the population estimates and our current projections for housing activity in the metropolitan area, the housing market will generate an excess supply of units through 1988. This supply will be diminishing as a result of a sharp reduction in the construction of multi-family units. Nevertheless, rental rates will not rise sufficiently to replace lost tax advantages until the end of this decade. This also means that the value of rental properties will not appreciate significantly over the next few years.

Single family construction activity has slowed in recent months, especially in north Fulton and Cobb counties. This slowing should persist into 1987 before a modest rebound begins in 1988. A sharp rebound in multi family permits in

Gwinnett in recent months is surprising in light of reports that vacancy rates exceed 20% in that county at the present time. Vacancy rates metrowide are 8%, which would be normal in the absence of tax reform. Housing activity is showing significant vigor in Henry county and also showing some expansion in Douglas. Clayton county has been experiencing vigorous gains and may be currently overdoing its multi family activity.

Revisions in personal income statewide are not yet available for the Atlanta area. As a result, our procedure shows a reduction in the share of Atlanta personal income to the state's level. However, when the revisions are made for Atlanta, this result may again be reversed. Certainly, recent data indicates that wage income in metropolitan Atlanta is 54% of all wage income in the state. Of course, more than $1.2 billion of those wages are being received by workers who have residences outside the 18-county metropolitan area.

Disposable income in Atlanta probably increased 8.5% in 1986. Therefore, the slowing in taxable sales to only a 7.4% gain over previous year levels in the second quarter is surprising. Either convention traffic was surprisingly weak or Atlantan's sharply increased their savings in the spring. Moreover, the slowing in sales tax receipts was surprising in light of an acceleration in the performance of Fulton county and Dekalb county. The slowing was especially pronounced in Gwinnett county, where sales are only 8.6% above previous year levels. While this still exceeds the 7.9% gain recorded for Cobb and Cherokee, this is a dramatic slowing from the nearly 30% gains in the previous three years. Aside from modest gains in Dekalb and Fulton, only Forsyth and Paulding showed any significant rebound in taxable sales. These sales results definitely show that a dramatic slowing in Gwinnett's growth has, at least, temporarily materialized.

In summary, growth appears to continue in the southside counties and in the major concentrations of the Atlanta metropolitan area. However, growth has decidedly slowed in Gwinnett county and on the northern part of the metro area. Some of the problems with continued growth in that area may be the overbuilding of high priced homes and a significant inflation of land prices. In the next two years development in Atlanta may move to the south and west. At the same time, total growth in the Atlanta metropolitan area will be slowed by significant contraction in the construction industry. Every important construction indicator is flashing an overbuilt sign for Atlanta. On the other hand, retail employment has slowed along with retail sales. Although a significant expansion of department stores has led to an especially competitive retailing environment, only a modest slowing is anticipated in the growth of retail employment opportunities. Despite the overbuilding that will dramatically slow construction activity over the next two years, sufficient employment gains are expected in the service and manufacturing economies to preserve reasonably robust employment opportunities. Nevertheless, Atlanta's growth will be only half as vigorous in the next two years as it was earlier in this economic expansion.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts Through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.0	8.3	8.6	8.5	2.5	3.8	3.6	-1.2
2. Construction	145.6	155.9	152.7	147.3	10.7	7.1	-2.1	-3.5
3. Manufacturing	554.3	556.4	556.9	562.6	1.4	0.4	0.1	1.0
Durables	217.6	218.8	217.8	220.4	4.8	0.6	-0.5	1.2
Lumber	35.3	34.6	33.8	33.5	3.8	-1.9	-2.3	-0.9
Furniture	11.9	11.8	11.6	11.6	8.2	-0.4	-1.7	0.0
Stone, Clay, Glass	19.7	20.5	20.5	20.4	4.8	4.3	0.0	-0.5
Primary Metals	16.5	16.5	16.7	17.1	1.9	0.3	1.2	2.4
Fabricated Metals	20.6	20.8	20.9	21.1	1.5	0.8	0.5	1.0
Nonelectrical Machinery	25.6	25.5	25.0	25.4	5.8	-0.4	-2.0	1.6
Electrical Machinery	27.0	27.2	26.6	27.5	1.9	0.8	-2.2	3.4
Transportation Equipment	48.8	50.3	50.9	51.6	10.7	3.1	1.2	1.4
Other Durables	12.2	11.6	11.8	12.2	-1.6	-4.5	1.7	3.4
Nondurables	336.6	337.6	339.1	342.2	0.8	0.3	0.4	0.9
Food	58.7	59.3	60.4	61.2	2.6	1.0	1.9	1.3
Textiles	100.9	101.8	102.1	101.4	-3.8	0.9	0.3	-0.7
Apparel	71.0	71.2	70.5	71.1	-5.5	0.2	-1.0	0.9
Paper	30.3	30.6	30.9	31.9	1.3	1.0	1.0	3.2
Printing	33.9	34.9	35.4	36.0	10.1	3.1	1.4	1.7
Chemicals	19.3	18.9	19.0	19.3	2.1	-2.1	0.5	1.6
Leather	1.6	1.5	1.5	1.4	-5.8	-4.7	0.0	-6.7
Other Nondurables	20.9	19.4	19.3	19.9	2.5	-7.2	-0.5	3.1
4. Transportation, Comm. & Utilities	162.4	165.5	168.7	173.4	3.8	1.9	1.9	2.8
5. Trade	648.0	674.9	696.2	716.7	7.6	4.2	3.2	2.9
Wholesale	198.0	201.9	205.4	209.3	5.5	2.0	1.7	1.9
Retail	450.0	473.0	490.8	507.4	8.6	5.1	3.8	3.4
6. Finance, Ins. & Real Estate	137.1	143.0	149.0	154.5	6.9	4.3	4.2	3.7
7. Services	463.1	483.3	500.6	517.9	6.8	4.4	3.6	3.5
8. Government	447.3	454.0	459.9	464.3	1.2	1.5	1.3	1.0
Federal	94.1	96.0	96.9	97.8	5.1	2.0	0.9	0.9
State	104.4	104.7	105.2	105.5	0.6	0.3	0.5	0.3
Local	248.8	253.3	257.8	261.0	0 4	1.8	1.8	1.2
Total Wage & Salary Employment	2565.8	2641.3	2692.6	2745.2	4.8	2.9	1.9	2.0
Unemployment Rate	6.5	5.9	6.2	6.5	8.3	-9.2	5.1	4.8

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 2 Georgia Personal Income for 1985 and 1986 with Forecasts Through 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	52161	55425	59252	10.3	7.3	6.3	6.9
2. Other Labor Income	4615	4964	5287	5651	10.1	7.6	6.5	6.9
3. Proprietors' Income	5223	5680	6347	6724	1.5	8.7	11.7	5.9
Farm	683	474	813	908	-37.6	-31.0	71.5	11.7
Nonfarm	4540	5206	5534	5816	12.0	14.7	6.3	5.1
Labor & Proprietors' Income:								
1. Farm	833	629	976	1083	-33.0	-24.5	55.2	11.0
2. Mining	286	291	311	318	2.3	1.6	7.0	2.3
3. Contract Construction	3876	4365	4404	4376	11.5	12.6	0.9	-0.6
4. Manufacturing	12072	12594	13038	13653	7.1	4.3	3.5	4.7
Durables	5409	5842	6019	6322	10.7	8.0	3.0	5.0
Nondurables	6663	6752	7019	7331	4.6	1.3	4.0	4.5
5. Transportation & Utilities	5478	5693	5977	6389	8.8	3.9	5.0	6.9
6. Trade	11562	12386	13141	14061	12.4	7.1	6.1	7.0
Wholesale	5495	5906	6249	6686	13.0	7.5	5.8	7.0
Retail	6067	6480	6892	7375	12.0	6.8	6.4	7.0
7. Finance, Ins. & Real Estate	3592	4208	4670	5133	18.0	17.1	11.0	9.9
8. Services	10604	11635	12775	14076	13.3	9.7	9.8	10.2
9. Other Industries	256	284	311	339	12.9	11.0	9.6	9.0
10. Government	9889	10720	11456	12199	7.6	8.4	6.9	6.5
Federal Civilian	2501	2593	2709	2843	9.0	3.7	4.5	5.0
Federal Military	1421	1504	1629	1774	3.6	5.8	8.3	8.9
State & Local	5967	6623	7118	7582	8.0	11.0	7.5	6.5
Plus:								
Property Income	10257	10642	11206	12293	8.1	3.8	5.3	9.7
State U.I. Benefits	211	216	248	273	7.7	2.4	14.8	10.1
Other Transfers	9656	10234	10654	11314	8.1	6.0	4.1	6.2
Residence Adjustment	-218	-240	-253	-270	25.5	10.1	5.4	6.7
Less: Social Ins. Contributions	3392	3683	3956	4466	15.3	8.6	7.4	12.9
Equals: Total Personal Income	74960	79974	84958	90771	8.8	6.7	6.2	6.8
Nonfarm Personal Income	74127	79345	83982	89688	9.5	7.0	5.8	6.8
% of U.S. Nonfarm	2.27	2.30	2.31	2.33	-	-	-	-
Population	5976	6103	6224	6337	2.38	2.12	1.98	1.82

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts Through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.7	1.6	9.0	20.8	13.3	-5.9
2. Contract Construction	73.4	81.5	82.6	78.3	15.4	11.0	1.3	-5.2
3. Manufacturing	183.0	184.8	187.7	191.5	4.4	1.0	1.6	2.0
Durables	95.4	97.5	98.8	100.9	7.1	2.2	1.3	2.1
Lumber	4.3	4.3	4.3	4.2	13.2	-0.6	0.0	-2.3
Furniture	4.9	4.8	4.6	4.6	6.5	-2.0	-4.2	0.0
Stone, Clay, Glass	9.3	9.9	10.0	9.9	6.9	7.0	1.0	-1.0
Primary Metals	7.0	7.6	7.7	7.9	9.4	8.2	1.3	2.6
Fabricated Metals	9.2	9.2	9.1	9.3	4.5	0.3	-1.1	2.2
Nonelectrical Machinery	10.2	10.2	10.3	10.7	6.3	-0.2	1.0	3.9
Eiectrical Machinery	13.7	14.0	13.6	14.5	3.8	2.4	-2.9	6.6
Transportation Equipment	31.3	32.5	34.1	34.5	9.4	3.8	4.9	1.2
Other Durables	5.6	5.0	5.1	5.3	5.7	-10.3	2.0	3.9
Nondurables	87.5	87.3	88.9	90.6	1.5	-0.2	1.8	1.9
Food	20.2	19.6	20.1	20.5	1.5	-2.7	2.6	2.0
Textiles	7.7	7.4	7.4	7.2	-8.3	-4.2	0.0	-2.7
Apparel	12.6	12.4	12.0	12.1	-4.5	-2.0	-3.2	0.8
Paper	8.5	8.5	8.7	8.9	1.2	0.3	2.4	2.3
Printing	21.3	22.3	23.2	23.9	7.5	4.9	4.0	3.0
Chemicals	9.8	10.0	10.3	10.5	5.4	2.6	3.0	1.9
Other Nondurables	7.4	7.1	7.2	7.5	1.4	-4.4	1.4	4.2
4. Transportation, Comm. & Utilities	104.6	107.0	109.4	112.5	4.2	2.3	2.2	2.8
5. Trade	364.4	379.8	396.0	409.2	7.9	4.2	4.3	3.3
Wholesale	131.5	135.6	140.3	142.8	6.0	3.1	3.5	1.8
Retail	232.9	244.2	255.7	266.4	9.0	4.7	4.7	4.2
6. Finance, Ins. and Real Estate	89.4	93.0	95.9	99.4	8.5	4.0	3.1	3.6
7. Services	278.5	292.4	306.3	320.6	7.7	5.0	4.8	4.7
8. Government	177.0	182.2	185.9	189.4	1.5	2.9	2.0	1.9
Federal	38.3	39.5	39.9	40.5	6.1	3.1	1.0	1.5
State	35.3	35.4	35.6	35.7	0.3	0.3	0.6	0.3
Local	103.5	107.3	110.4	113.2	0.5	3.7	2.9	2.5
Total Wage & Salary Employment	1271.5	1322.2	1365.5	1402.5	6.5	4.0	3.3	2.7
Unemployment Rate	5.0	4.5	4.8	5.1	4.2	-10.0	6.7	6.3

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts Through 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26676	29017	31229	33595	12.4	8.8	7.6	7.6
2. Other Labor Income	2726	2966	3206	3453	11.8	8.8	8.1	7.7
3. Proprietors' Income	1796	2020	2190	2321	10.7	12.5	8.4	6.0
Farm	87	46	93	99	-14.5	-47.1	102.2	6.5
Nonfarm	1709	1974	2097	2222	13.3	15.5	6.2	6.0
Labor & Proprietors' Income:								
1. Farm	103	64	113	120	-13.0	-37.9	76.6	6.2
2. Contract Construction	1852	2158	2251	2200	16.2	16.5	4.3	-2.3
3. Manufacturing	4875	5167	5427	5738	9.7	6.0	5.0	5.7
Durables	2871	3147	3298	3492	13.0	9.6	4.8	5.9
Nondurables	2004	2020	2129	2246	5.3	0.8	5.4	5.5
4. Transportation & Utilities	3830	3995	4206	4497	9.2	4.3	5.3	6.9
5. Trade	7555	8134	8741	9378	13.0	7.7	7.5	7.3
Wholesale	4305	4676	5031	5378	13.5	8.6	7.6	6.9
Retail	3250	3458	3710	4000	12.4	6.4	7.3	7.8
6. Finance, Ins. & Real Estate	2624	3065	3368	3698	19.6	16.8	9.9	9.8
7. Services	6334	6986	7754	8638	14.2	10.3	11.0	11.4
8. Other Industries	148	163	179	194	11.4	10.2	9.5	8.6
9. Government	3877	4271	4586	4906	8.2	10.2	7.4	7.0
Federal Civilian	1118	1172	1226	1294	11.0	4.8	4.6	5.6
Federal Military	222	234	252	271	3.0	5.6	7.6	7.8
State & Local	2537	2865	3108	3341	7.9	12.9	8.5	7.5
Plus:								
Property Income	5338	5605	5936	6541	8.6	5.0	5.9	10.2
Transfer Payments	3209	3411	3575	3807	8.0	6.3	4.8	6.5
Residence Adjustment	-1181	-1268	-1270	-1239	15.3	7.3	0.2	-2.5
Less: Social Ins. Contributions	2016	2219	2414	2742	17.4	10.1	8.8	13.6
Equals: Total Personal Income	36548	39532	42452	45736	10.9	8.2	7.4	7.7
Nonfarm Personal Income	36445	39468	42339	45616	11.0	8.3	7.3	7.7
% of Georgia Nonfarm	49.17	49.74	50.41	50.86	----	---	---	---
Population (#,Thousands)	2472	2559	2645	2730	3.84	3.52	3.36	3.23

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 5 Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	85-3	85-4	86-1	86-2(r)	86-3(p)	Sept(p)	85-3	85-4	86-1	86-2(r)	86-3(p)	Sept(p)
Total	2575.4	2601.8	2629.4	2621.1	2646.0	2656.8	1279.0	1292.2	1301.0	1310.8	1331.9	1333.7
Mining	8.0	8.0	8.1	8.0	8.5	8.6	1.3	1.2	1.2	1.3	1.6	1.7
Contract Construction	143.3	151.9	154.0	154.6	157.2	158.8	73.1	77.1	75.0	81.2	84.5	85.2
Manufacturing	552.5	558.3	566.2	554.5	551.4	555.0	183.1	184.3	187.2	184.0	183.2	185.3
Durables	217.2	219.3	224.1	218.1	215.7	218.3	95.7	96.8	99.1	97.5	95.8	97.8
Lumber	35.2	35.4	35.5	34.9	34.1	34.0	4.4	4.3	4.2	4.3	4.3	4.3
Furniture	12.1	12.0	12.1	11.8	11.8	11.7	5.0	5.0	4.8	4.9	4.9	4.6
Stone, Clay, Glass	19.7	20.0	20.5	20.4	20.7	20.6	9.4	9.7	10.0	9.8	10.0	10.0
Primary Metals	16.6	16.4	17.0	15.9	16.7	16.6	7.1	7.2	7.8	7.1	7.7	7.7
Fabricated Metals	20.6	20.9	21.2	20.7	20.5	20.7	9.3	9.3	9.3	9.3	9.2	9.1
Nonelectrical Machinery	25.5	26.1	26.7	25.2	25.0	25.1	10.2	10.5	10.2	10.3	10.2	10.0
Electrical Machinery	26.9	27.0	28.0	27.5	26.9	26.5	13.8	13.8	14.5	14.3	13.8	13.5
Transportation Equipment	48.2	50.0	51.2	50.2	48.4	51.5	30.5	32.0	33.1	32.5	30.8	33.6
Other Durables	12.3	11.6	11.9	11.5	11.6	11.6	6.0	5.0	5.2	5.0	4.9	5.0
Nondurables	335.6	338.8	342.1	336.4	335.7	336.7	87.4	87.6	88.1	86.5	87.4	87.5
Food	58.6	59.3	60.0	58.4	59.2	59.6	20.0	20.2	20.1	19.4	19.5	19.6
Textiles	100.2	101.1	102.3	101.2	102.0	101.9	7.7	7.3	7.4	7.2	7.5	7.4
Apparel	70.5	71.4	72.8	71.5	70.2	70.2	12.5	12.5	12.8	12.3	12.2	12.1
Paper	30.3	30.4	30.9	30.6	30.5	30.5	8.5	8.6	8.5	8.5	8.5	8.6
Printing	34.2	34.6	34.9	34.8	35.0	35.1	21.4	21.8	22.1	22.2	22.5	22.6
Chemicals	19.3	19.4	19.2	18.7	18.8	18.9	9.8	10.1	10.1	9.9	10.1	10.1
Leather	1.6	1.5	1.6	1.6	1.4	1.5	----	----	----	----	----	----
Other Nondurables	20.9	21.2	20.4	19.6	18.6	19.0	7.5	7.1	7.1	7.0	7.1	7.1
Transportation, Comm. & Util.	162.6	163.6	165.3	165.0	165.5	166.1	104.7	105.3	106.5	106.6	107.3	107.5
Trade	653.5	658.4	666.7	671.0	680.0	682.3	368.3	370.6	371.2	376.8	384.9	385.2
Wholesale	198.7	200.3	200.6	200.6	202.7	203.8	132.2	134.0	132.7	134.4	137.5	137.8
Retail	454.8	458.6	466.1	470.4	477.3	478.5	235.3	237.3	238.5	242.4	247.4	247.4
Finance, Ins. & Real Estate	138.2	139.8	142.1	141.8	143.7	144.4	90.5	91.1	92.6	92.5	93.2	93.7
Services	466.0	472.8	472.6	473.5	484.6	490.4	280.1	286.0	285.3	285.9	295.0	295.5
Government	448.4	449.1	454.4	452.7	455.1	451.2	177.9	176.7	182.0	182.5	182.2	179.6
Federal	94.3	95.8	98.4	96.6	95.3	96.0	38.1	38.5	40.4	39.8	38.8	38.9
State & Local	353.9	353.5	356.0	356.1	359.8	355.2	139.5	138.3	141.6	142.7	143.4	140.7

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 6 Metro Atlanta Housing Permits for 1983 through 1985 with Forecasts Through 1988

	1983		1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	---	----	---	66	4	60	0	60	0	55	0
Cherokee	1172	14	1466	28	1632	155	2400	220	2660	200	2650	170
Clayton	1269	6	1143	576	1408	1424	1550	1670	1410	1200	1350	760
Cobb	5986	4243	6365	3095	6140	2576	6200	2960	6000	2130	6160	1710
DeKalb	3119	4371	3227	2965	3591	3397	4000	3000	3860	2480	3650	1830
Douglas	658	6	533	8	705	186	840	240	850	150	890	120
Fayette	----	---	----	---	692	0	760	0	750	0	800	0
Forsyth	463	14	609	57	720	74	760	75	740	40	770	20
Fulton	2634	2252	2979	3680	3198	3992	3200	4200	3000	3500	2950	3000
Gwinnett	5980	3226	5977	6155	7117	3911	6250	3750	6010	2930	6120	2520
Henry	602	18	656	56	902	123	1340	140	1460	170	1420	200
Newton	----	---	----	---	311	14	360	75	350	50	390	50
Paulding	----	---	----	---	718	0	950	10	1040	10	1050	20
Rockdale	437	144	623	83	692	120	1010	350	1040	300	1100	200
Walton	----	---	----	---	286	0	330	0	350	0	370	0
Total	22320	14394	23653	16703	28178	15976	30010	16690	29580	13160	29725	10600
% Change From Previous Year	+60.2	+129.8	+6.0	+16.0	+10.6	-4.5	+6.5	+4.5	-1.4	-21.2	+0.5	-19.5
% Change in Total (single + multi)	+81.7		+9.9		+3.9		+5.8		-8.5		-5.7	
Estimated Potential Absorption (000)	33.0		40.6		48.0		43.9		43.4		42.9	

Note: The 1983 % change figures do not include Marietta. Totals for 1982 do not contain Marietta. Marietta figures are included in 1983 totals and beyond. Condominiums are included in the multi-family totals. Fee simple town homes are included in the single-family category. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

The Georgia State University Economic Forecasting Center collects data, engages in analysis of macro-economic systems, and develops procedures that aid in the creation of econometric descriptions of the national, regional and local economies. Our research is sponsored by the Georgia State University College of Business Administration and receives financial support from the following organizations:

Bankers First Federal Savings
BellSouth Corporation
Bridgestone Tire Company of America
(Torrence, California)
The Citizens and Southern National Bank
The Coca-Cola Company
Delaware Investment Advisors
(Philadelphia, Pennsylvania)
First Atlanta Corporation
First Railroad and Banking Company of Georgia
Fulton Federal Savings and Loan Association
Georgia-Pacific Corporation
Lowe's Companies Inc.
(North Wilkesboro, North Carolina)
The Miami Review
(Miami, Florida)
Morgan, Keegan and Company Inc.
(Memphis, Tennessee)
Oglethorpe Power Corporation
Robinson-Humphrey/American Express
Southern Bell Telephone & Telegraph Company
Trust Company of Georgia
United States Gypsum Company
Vulcan Materials
(Birmingham, Alabama)

Associate sponsors:

Anglo-American Clays Corporation
E.F. Hutton Inc.
Owens-Corning Fiberglas Corporation
(Toledo, Ohio)
Trimble House Corporation

7/24/87 W1880-2A

Georgia & Atlanta

Five-Year Georgia Forecast 1987–1988

Economic Forecasting Center
Georgia State University, College of Business Administration, February 1987

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

The Economic Forecasting Center was established in 1973 at what was then the school of Business Administration, Georgia State University, to provide an academic environment suitable for business forecasting, conducting research and providing services for the college, the business community and the center's sponsors and subscribers.

Accuracy in forecasting is a primary goal of the center. The center's major objectives are:

HISTORICAL DATA: To provide data, develop procedures and create econometric descriptions of the economic systems of the United States, the Southeast, Georgia and the Atlanta metropolitan area.

RESEARCH: To provide a laboratory for research on forecasting and related topics and to instruct students in applied economics in order to increase the number and availability of locally trained individuals with forecasting experience.

FORECASTS: To create forecasts of the national, regional and local economies and to present working papers on the responsiveness of these economies to local and national government policies.

PROBLEM SOLVING: To become a focal point for information gathering and analysis of economic problems that regularly affect business, government and academic organizations, and to establish a forum where business andd academicians can interact and attempt to solve complex economic problems.

SERVICES: To provide an environment where sponsoring and subscribing organizations can obtain relevant economic data, and learn how best to apply forecasting procedures to their particular operations.

AVAILABLE PUBLICATIONS:

Forecast of the Nation
Forecast of Georgia and Atlanta
Monthly Projections
Consumer Price Index
Producer Price Index
Georgia Indicators
Weekly Financial and Economic Indicators

These reports are available individually for a modest annual subscription or as a package for sponsoring organizations. For additional information please call 404-658-3282. Or write: Economic Forecasting Center, Georgia State University, University Plaza, Atlanta, Georgia 30303.

SMALLER BUT RESPECTABLE EMPLOYMENT GAINS SEEN IN GEORGIA OVER THE NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Center
Georgia State University
Atlanta, Georgia

Summary

Data revisions reveal that Georgia's economy did not slow as dramatically as originally reported in 1986. Nondurable manufacturing, aided by a strong rebound in textiles and continued strength in printing rebounded from a 1985 slump. Also, continuing strong growth in the financial and service sectors helped generate employment gains of 4.1% in 1986 as compared to gains of 2.9% projected on original data. Manufacturing growth is expected to continue over the next two years even as construction begins to fall and service employment gradually grows more slowly. The recent surge in wholesale trade employment will add to employment gains in 1987 but should not generate significant gains in 1988. Nevertheless, projected employment gains of 3.4% in 1987 and 2.4% in 1988 compare with projected gains of 2.5% and 2.1% for national employment.

According to the coincident indicators, the Georgia economy ended vigorously in 1986 with economic growth exceeding previous year levels by nearly 6% in December. This compares with only a 2.2% rate of growth nationwide. Our indicators also suggest that the Georgia economy expanded after inflation about 4.7% in 1986. This again compares favorably with a 2.5% gain for the nation. While such estimates appear to be unusually vigorous, they are consistent with the upward revision in Georgia employment for 1986 and with personal income estimates, which show Georgia personal income exceeding the nation by 3 percentage points in 1986. Because of weakness in construction, slower growth is expected in the next two years. However, Georgia's state product should grow nearly 4% after inflation in 1987 before slowing to slightly less than a 3% rate of growth in 1988.

Although slower growth is expected in the next two years, the creation of 89,700 additional jobs in 1987 will be more than sufficient to absorb new entrants into the labor force, leading to a reduced unemployment rate of 5.5%. Activity in 1988 will slow to only 66,000 new jobs, causing a slight increase in unemployment to a still respectable 5.8%.

Data Revisions

Georgia's employment profile improved significantly under the latest employment adjustments. The largest revision was in the services category, where employment was revised upward by more than 22,000 and the rate of change was revised upward from a previously projected 4.4% to a 7.8% growth path. The growth path also was revised upward significantly for the finance area to 6.2% from 4.3%. The rate of growth for construction also was revised upward, as actual construction employment in 1985 was reduced while construction employment in 1986 was increased. This suggests that construction currently has more momentum than originally projected and will not decline on average in 1987.

In manufacturing, employment was revised upward by more than 8000 jobs in 1986 with the bulk of those jobs occurring in textiles, printing, and food processing. The machinery industry also experienced significant upward revisions while primary metals was much weaker than originally estimated.

According to the newly revised seasonally adjusted employment profile, employment activity continued to strengthen as the year progressed. The year ended with especially strong employment gains developing for mining, construction, transportation equipment, textiles, printing, and wholesale trade. Some slowing is expected in wholesale trade during the latter half of 1987 along with the construction sector. However, the employment momentum in both of these sectors currently is so strong that activity will be higher in 1987.

Although data revisions generally reveal a more vigorous Georgia economy than reported earlier, some industries were revealed to be weakening. The metals industry showed significant weakness, with much of the job loss occurring in primary metals. Apparel may have begun rebounding in December, but the quarterly data continues to show an uninterrupted rate of decline. The chemicals industry also weakened in Georgia. The communications and transportation sectors showed weakness in the fourth quarter, although transportation spurted nicely in the summer. Employment by local governments also stuttered in the fall, probably under the burdens of lost revenue-sharing.

On balance, the data revisions revealed a healthier Georgia economy, growing more vigorously than in the nation. The employment data now is more consistent with the personal income data, which revealed Georgia as growing nearly 3 percentage points more rapidly than the nation. Also, if our coincident indicators are close to the mark, productivity gains in Georgia probably are more robust than in the nation, although gains in output per employee are still less than 1% in the state. (They were virtually unchanged in the nation).

Recent Conditions

According to seasonally adjusted employment gains in Georgia during the fouth quarter, economic activity strengthened noticeably. Employment gains were at an annual rate of 5.7% as compared to a 3.1% preliminary gain for the U.S. There are some signs, however, that the growth spurt slowed slightly in December.

Activity strengthened noticeably for durable manufacturing, construction, wholesale trade, and services employment. Also the strength in durables was in transportation equipment, which rebounded from strike activity earlier in the summer. A model changeover at the Lakewood automobile plant in Atlanta will significantly slow transportation equipment employment during the first half of 1987, but employment gains should resume during the second half of the year. Layoffs at a major airline and at communications centers for long-distance calling stalled the upward momentum of the transportation group. Substantial employment gains are anticipated in this group during 1987 once these employment adjustments are completed.

Despite a third monthly reduction in farm cash receipts in Georgia, the Georgia coincident indicators showed a surprisingly vigorous 0.8% gain in December. Much of the strength was concentrated in corporate tax accruals,

which have rebounded significantly for six months. As mentioned above, Georgia's economy appears to be generating more productivity gains than nationwide and this is resulting in better employment opportunities for Georgia firms. Georgia companies have not yet registered above average valuation gains on the stock exchanges, but a continuation of this pattern almost certainly ensures that such valuation improvements soon should be forthcoming. More modest gains were recorded in real bank deposits, hours worked, and reductions in the quantity of unemployment claims and the insured unemployment rate.

Although the end of year spurt in economic activity in Georgia certainly is welcome, our leading indicators suggest that it may not be sustainable. During the past three months, the leading indicators have increased only 0.3%, or about one-third of normal gains in a healthy economy. Initial unemployment claims and state revenues both contributed negatively to the leading indicators. Although consumer activity remains strong, as evidenced by sales tax accruals, construction permits were flat. However, nonresidential construction orders grew vigorously in December, but changing tax laws probably will prevent any further significant gains from developing as the new year commences. The work week continued to improve, however, suggesting that further employment gains still are likely. Because of a significant slowing in the leading indicators even as the coincident indicators have begun to accelerate, the capacity for sustaining current economic expansion is dwindling significantly. Thus, economic growth in Georgia should slow significantly by the spring. However, significant gains in manufacturing should develop through the year, preventing any serious correction in Georgia's employment opportunities.

In a footnote to the drought, the Georgia economy has been spared a significant amount of value loss in its forests. Serious winter weather only occurred two weeks this year, preventing any serious kill to the severely stressed lumber stands. Thus, previous concern that the drought's lasting effects would severely cripple the Georgia lumber industry are beginning to ease. The unusually mild weather has also increased the supply of poultry and eggs. The result has been a sharp reduction in the profitability of these industries as overproduction once again becomes a likely prospect. Poultry profitability still should be noticeable in 1987, as demand for chicken is growing nearly as fast as production. However, egg producers probably will have a long year ahead of them.

During the summer months, the last period for which personal income data is available, nonfarm personal income in Georgia grew 1.7% as compared to 1.0% for the U.S. Most of this differential was the result of stronger wage and salary incomes in Georgia. Despite effects of the drought, farm income in Georgia declined only 15.6% during the summer as compared to a 50.5% decline nationwide. A rebound in poultry income may be largely responsible for this surprising differential. Personal income gains from the previous quarter were especially vigorous for contract construction (5.7% versus 2.3%), durable manufacturing (1.1% versus 0.1%), finance (3.6% versus 3.1%), and services (2.4% versus 1.8%). Earnings in nondurable industries declined in Georgia during the summer while expanding 0.8% nationwide. With the latest data revisions, however, sharp upward adjustments are expected in those nondurable estimates in Georgia. Also, activity grew strongly in the fourth quarter. Certainly, Georgia should continue to comfortably outdistance U.S. performance when the fourth quarter data becomes available.

The gap in retail trade activity between the South Atlantic and U.S. performances continued to narrow during the fall. By November, the South

Atlantic was only performing 2 percentage points better than nationwide. Sales increases by department stores in Atlanta were 6.9% above previous year gains for the first eleven months as compared to a 6.1% gain nationwide. However, Atlanta activity had slowed to only a 5.8% year over year comparison in November relative to an 8.3% gain for the nation in that month. Taxable sales in Georgia slowed dramatically to show a 0.1% decline in the summer months from the previous year. This compares to a 6.0% gain in the previous quarter. Although price changes for taxable goods were less than 1%, this clearly suggests that employment gains were excessive in retail establishments in the summer. For the year, taxable sales in Georgia probably increased less than 5%. After adjustment for inflation, this would be an increase of less than 4%, in comparison to employment gains of 5.6%.

When estimated service expenditures are combined with taxable sales, consumer spending appears to be growing slightly less than 6%. This compares to an increase in disposable income of more than 8%, suggesting that the savings rate rose significantly in Georgia even as it declined sharply nationwide. Hence, Georgia consumers appear to be more capable of supporting a spurt in retail activity than the national economy. A rebound in retailing activity, therefore, should be anticipated in Georgia during 1987.

Inflation in Atlanta continued to increase 1% more than nationwide at the end of 1986. In the latest two months, prices rose 0.2% in the nation and 0.7% in Atlanta. In 1987, the Atlanta CPI is expected to increase 4.0%, about a half percent more than nationwide. Prices then are expected to accelerate to a gain of 4.2% in the nation and in Atlanta for 1988.

In the latest two months, grocery store prices fell 0.7% in Atlanta while they rose 0.2% for the nation. Grocery store prices over the past year increased 3.6% nationwide as compared to 2.2% in Atlanta. Restaurant prices continued to rise more rapidly in Atlanta with a 5.2% annual gain as compared to a 4.3% gain nationwide. However, menu prices spurted 0.9% nationwide and only 0.2% in Atlanta during the past two months. Atlanta also was a better place for alcoholic beverages last year, with prices up only 0.8% as compared to 1.9% in the nation. A 1.2% price drop for alcoholic beverages during the past two months as compared to a 0.1% increase nationwide helped this outcome. Most of Atlanta's inflationary differential was in housing costs, which soared 4.6% as compared to 1.8% nationwide. Prices declined 0.3% for housing in the nation; they rose 1.3% in Atlanta during the past two months. Renters' costs increased 0.7% in Atlanta while they increased only 0.1% in the nation. Although clothing prices showed comparable gains during the past two months both nationwide and in Atlanta, apparel was up 4.4% in Atlanta and only 0.9% in the nation for the year. On the other hand, transportation costs fell more sharply in Atlanta than nationwide, as gasoline prices declined more vigorously. Medical care costs continued to soar in Atlanta, rising 12.1% over the past year as compared to a 7.7% nationwide gain. In the past two months, increases were a comparable 1.0% in both areas. Entertainment costs also were up more vigorously in Atlanta, rising 6.4% versus 3.4% for the nation. However, price increases were comparable over the past two months. In summary, sharply rising prices for clothing, housing costs, and medical care contributed to the more robust inflationary pressures in Atlanta than nationwide. Housing costs should continue to rise rapidly while medical care prices should tend to grow more slowly over the next year.

Georgia's unemployment rate in December was a moderate 5.7%, an improvement of 0.5 percentage points from the previous year. This is 0.6 percentage points

better than the nation. Albany continued to show the most difficulty in generating jobs. Despite a slight decline in the labor force, the unemployment rate in Albany increased from 9.0% a year ago to 10.7% in December. Columbus, the metro area with the second highest unemployment rate at 7.2% was able to lower its unemployment rate by 1.3 percentage points over the previous year and actually added 1800 jobs. Despite a sharp 3000 job gain in Augusta, the unemployment rate rose 0.5% over the previous year to 6.2%. A large influx in the labor force accounted for this surprising result. Savannah's metropolitan area saw even a larger influx of new workers and was able to employ all the additions plus enough others to lower the unemployment rate from 6.6% a year ago to 6.1% this December. Unemployment in the Macon area fell to 5.6% from 6.3% a year ago with the benefit of strong employment gains. Athens showed little change in the unemployment rate, although employment grew sharply over the past year. Unemployment in Athens currently is 5.2%. The Atlanta unemployment rate was at a low 4.4%, down 0.4 percentage points from a year ago. Nearly 100,000 additional jobs were created in Atlanta according to the household estimates of employment. Even with the revised estimates of employment according to payrolls, the household surveys suggest a stronger growth in employment than the actual enumeration by payrolls.

Georgia's insured unemployment rate increased to 1.9% in the fall while the insured unemployment rate rose to 1.2% in Atlanta. While these increases are slightly troubling, the rates remain sharply below the 2.6% insured unemployment rate nationwide.

Deposits fell by 0.4% for all thrift institutions nationwide and also fell 0.2% in the southeast. However, deposits at Georgia thrifts showed a counter trend by growing 1.2%. Nevertheless, such performance did not accelerate forward commitments at Georgia thrifts, which fell a seasonal 21.0%. This compared to seasonal declines of 19.5% for the remainder of the southeast and 18.6% for the nation. The improvement in regulatory net worth at Georgia thrifts slowed significantly to only a 2.0% gain in the fourth quarter as compared to a 2.3% gain in the southeast. However, these compared with a 0.7% gain nationwide.

Effective mortgage rates have fallen by a lesser 0.77 percentage points in Atlanta as compared to a 1.40 percentage point decline nationwide. Nevertheless, effective mortgages in December were 9.49% in Atlanta and 9.68% in the nation. Housing prices continue to increase sharply nationwide with prices up $13,800 to $117,300. In Atlanta, however, prices fell $8000 and are only $112,200 for the median home in December. This appears to be an aberration that will vanish with subsequent data. Mortgage rates are expected to decline slightly during the spring to an effective rate of 9.25% in Atlanta before gradually climbing to 10% by the middle of 1988.

Despite upward revisions in employment data, Georgia's revenues continue to show moderating economic activity. During the past quarter, revenues expanded 6.4%. This compares with gains of 5.9%, 6.4%, 8.7%, and 8.4% in previous quarters. In December, revenue gains were 7.8% above previous year levels. Nevertheless, sluggish revenue growth during the first half of this fiscal year suggests that revenue projections will be up only 6.8% for the year. We are currently projecting gains of 7.5% in the next fiscal year followed by comparable increases a year later.

According to sales tax receipts, the automobile surge that occurred throughout the nation was not a major force in Georgia. In the latest quarter

sales and use tax collections were only 2.5% above previous year levels. This compares with gains of 3.0%, 7.2%, 5.5%, and 7.5% in previous quarters. It also compares unfavorably with a gain of 7.6% for all state and local governments. In previous quarters these governments showed sales tax increases of 7.6%, 5.7%, 6.2%, and 6.6%. As mentioned above, Georgians apparently rebuilt their savings in 1986 even as most other people were sharply reducing theirs. Personal income in the state appeared to be acceptable, as tax receipts rose 8.0% in the quarter. This compares with increases of 8.9%, 12.4%, 17.0%, 10.4%, and 13.5% in previous quarters. Increases for all state and local governments was a more modest 6.9%, although this was an increase from 6.7% in the previous quarter and compared favorably with gains of 3.9%, 5.2%, 7.6%, and 7.6% in previous quarters. Georgia's largest improvement was in corporate tax accruals, which surged 21.2%. In the previous quarter, accruals increased 7.5% after falling 6.5% and 6.9% in previous quarters. Quarterly profits for all state and local governments also rebounded to a 14.6% gain following increases of 5.8%, 10.5%, 4.0%, and 12.7% in earlier quarters. Thus, Georgia's income appears to compare favorably with the nation, although income tax collections are not as far above collections nationwide as estimates of personal income are. On the other hand, sales tax activity appears to be doing quite poorly. This confirms the observation that savings rates rose in Georgia and also indicates that Georgia consumption could be stronger in the next year even as consumption nationwide is retrenching.

Summary of Outlook

Rapid employment gains in construction are coming to an end. By the end of the year, employment in construction will be below 1986 averages. Construction should continue to fall significantly through 1988.

Construction-related manufacturing activity also will weaken. Lumber, furniture, and the stone, clay group all will experience modest employment losses in 1988. However, other pockets of weakness are not expected to materialize.

In manufacturing, current weakness in the metals industries should gradually turn in 1987 and begin generating increased employment before the end of that year. Although employment in transportation equipment will be restrained by an extended model changeover for one of the Atlanta assembly plants, employment should then grow robustly in the following year. Growth in the machinery industry should continue to move strongly forward following only a modest pause in the early months of 1987. Employment gains for nondurables also should be relatively widespread. Weakness in chemicals should come to an end as agricultural incomes begin rising, bolstering purchases of agricultural chemicals. Weakness in the apparel industry also is expected to end as the dollar's decline will begin to raise the competitiveness of American industry. While the carpet industry probably will show little growth over the next two years because of slow sales for automobiles, declines in commercial construction, and moderation in housing starts, enough carpet sales will be available to prevent any significant slump. Other textiles are expected to gradually improve. Also improving will be food processing activity while the surge in printing will moderate but will not totally reverse itself. As a result, Georgia should be able to create between 5000 and 10,000 additional manufacturing jobs a year over the next several years.

Layoffs in the communications industry and a restructuring at a major airline will prevent any significant expansion in employment in the

transportation and communications sectors during 1987. Once these adjustments are completed, however, employment growth can resume. Wholesale trade apparently is rebounding vigorously following little employment change in 1986. This spurt in wholesale activity should die down before the end of next year, however.

Because the Georgia economy appears to be significantly overstored, employment growth for retail establishments should slow markedly over the next two years. Population gains are sufficiently robust to ensure that no bust will develop for retail employees. Employment in the finance sector should continue to grow robustly through most of 1987 before some consolidation sets in during 1988. Also, rapid growth in service employment simply cannot be sustained. However, growth will remain vigorous over the forecasting horizon. Finally, growth in federal government employment will slow but population requirements assure some further growth. State payrolls, which accelerated slightly in 1986 should gradually decelerate. Although needs for employment gains at the local level may be rising, the loss of general revenue-sharing is creating modest employment gains in that area at this time.

Strength in manufacturing and continued expansion of the service economy should more than offset any developing weakness in construction. However, retail employment appears to be excessive, while the transportation and communications industries appear to be going into a restructuring year before employment gains will reappear. Nevertheless, Georgia's employment prospects remain favorable.

Of course, double digit earnings growth in construction will slow to minimal gains over the next two years. Even rapid gains in nonfarm proprietors' income will fall into single-digit territory. However, earnings gains will be stronger in the trade sector in 1987 than 1986 and will also remain robust in the finance and service areas. Nevertheless, personal income gains should slow by nearly 2 percentage points even as inflation is intensifying. Personal purchasing power will only expand 2.5% in 1987 and a lesser 2.0% in 1988. This will continue to restrain sales tax receipts and employment gains in the trade sector.

Because of upward revisions in employment opportunities, population gains are expected to remain strong in Georgia.

Although consumer incomes will be growing slowly, the buildup of consumer savings that apparently developed in 1986 should provide enough extra purchasing power to sustain real gains in consumer activity. In addition, the dollar's decline already shows signs of improving the competitiveness of American import-impacted industries. The apparel industry, which had been hit hard, should begin to recover. Textiles already are advancing into new growth territory. However, tax changes will sharply reduce the desired inventory holdings of real estate. This will result in a significant correction in nonresidential construction activity and in the construction of rental units.

Although the Georgia economy is expected to grow more slowly in the forecast period than in the recent past, substantial areas of economic strength in Georgia still are apparent. Indeed, the strength developing in manufacturing should prevent Georgia from seeing any significant recessionary activity despite the need for significant correction in construction and the developing need for some moderation in retail employment gains. On balance, the Georgia outlook is more favorable than it appeared to be three months ago on the basis of employment data that showed more sluggish growth toward the end of the year.